

# Savannah Affordable Housing Fund Policy Guidelines



Savannah Affordable Housing Fund  
Advisory Committee  
March 2013

## Beginning of the Savannah Affordable Housing Fund.

The Savannah Affordable Housing Fund (SAHF) was established by resolution of the Mayor and Alderman of the City of Savannah on November 17, 2011. The fund was established to serve as a:

*“Complementary finance tool allowing for maximum flexibility and local control, leveraging private and other investment, attract investors, fund construction and rehabilitation of housing, provide technical assistance to and provide capacity building for local developers, and provide a revolving loan fund”.*

The resolution further provided for \$150,000 in seed funding, with the anticipation of \$150,000 in additional seed funding in 2013 & 2014, and called for a **City Council-appointed Advisory Committee** to **“develop policies and procedures for the governance of the Fund,** determining who might be an eligible applicant and what might be an eligible activity, and securing additional funding”.



## SAHF Policy Guidelines.

This document represents the culmination of the Savannah Affordable Housing Fund Advisory Committee’s (SAHFAC) eight month planning and work period with regard to the Policies and Procedures of SAHF. While future revenue and legislative evolutions may impact the delivery and volume of future SAHF investments, it is the recommendation of the SAHFAC that these Policy Guidelines be adopted by Savannah City Council to serve as the standing, guiding policies of the SAHF.

## SAHF Policy Guideline Ground Rules.

An innovative, Savannah Affordable Housing Fund will be flexible, and responsive to both market changes and community needs. As such, the following ground rules have been employed to govern the SAHF Policy Guidelines:

1. The policies herein are deliberately broad for two reasons:
  - a. To allow staff to best leverage available private and public resources to produce the maximum intended affordable housing outcomes, recognizing that current resources, financial mechanisms, markets, and community needs may be different than future ones.
  - b. It is recommended that an annual analysis of market conditions, community needs and fund volume dictate more restrictive investment criteria than the standing guidelines on an annual basis, while remaining consistent with them. **Guidelines for specified programs is provided in Appendix A. Program guidelines for 2013, are attached as Appendix B,** and are intended to serve as a template for future years annual investment guidelines.
2. Distinct development types require distinct development guidelines. Differing capital requirements, development patterns, and beneficiary/ownership structures require that distinct development types be treated individually.
3. There are resident level and neighborhood level benefits of affordable housing- SAHF seeks to maximize both. Increased property values, increased public safety, and increased quality-of-life are neighborhood level characteristics attributable to thoughtful affordable housing development. While many criteria focus on resident-level beneficiary requirements, SAHF seeks to support neighborhood level benefits through the encouragement of neighborhoods with mixed incomes and mixed uses.



## Savannah Affordable Housing Fund: Purpose, Data, Outcomes and Requirements

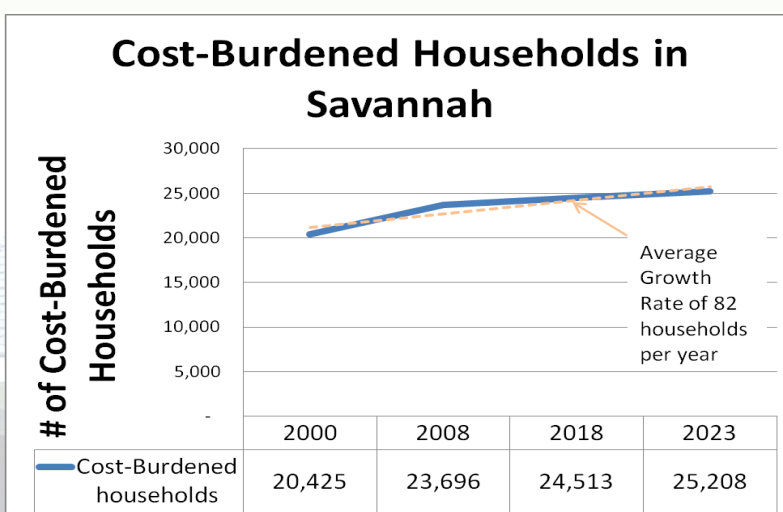
### Purpose.

The purpose of the Savannah Affordable Housing Fund is to leverage resources to create, rehabilitate, or retain affordable housing in Savannah.

### Data.

A locally controlled Affordable Housing Fund has been the resulting recommendation of numerous community reports and stakeholder convenings over the last twenty years.

The most complete, recent data comes from the City of Savannah Affordable Housing Study, completed by the University of Georgia in 2008. This data determined the existing population of cost-burdened households (23,696 of households, 41% of households) in the City of Savannah, and created a model projecting the growth rate of the cost-burdened household population over a 10-year period. This data is expressed in the graph below.



### Outcomes.

A successful SAHF will address the cost-burdened household growth rate of 82 households per year first, the tipping point towards reducing the total population of cost-burdened households which will require a more substantial fund volume. Historic data from the City of Savannah Housing Department suggests that \$5,000 of new fund allocations, when applied to a diverse mix of affordable housing interventions including single-family, multi-family development and rehabilitation, and revolved through a Revolving Fund as proposed, has historically produced one new affordable housing unit. *It is therefore estimated that annual fund capitalization required to address the growth rate of cost-burdened households in the City of Savannah is \$410,000.*

### SAHF Investment Requirements.

While distinct development types will have distinct SAHF guidelines, there are four basic investment requirements that must be true of all SAHF funded projects, regardless of development type.

Those requirements are:

- **Leveraging.** All invested projects must substantially leverage outside funds.
- **Affordability.** Investments will seek the maximum secured affordability period appropriate for the development type and funding volume.
- **Beneficiaries.** Housing will be priced, available, and affordable to qualified households with incomes at or below area median income.
- **Neighborhood Benefits.** Invested projects will have demonstrated consideration of the neighborhood benefit of the investment.

### **Eligible Uses.**

SAHF funds are to be used as leveraging investments for affordable housing that may not otherwise be created or retained by the local housing market. Several eligible uses have been identified in community reports, community convenings, and the 8 month work period of the Savannah Affordable Housing Advisory Committee. Those identified uses, and their corresponding policy guidelines are included as **Appendix A**.

Future eligible uses may be created by legislative, economic, or technical evolutions that are not predictable at the present time. As a result, SAHF eligible uses include, but are not limited to, the uses listed in **Appendix A**. Any future uses would have to be consistent with the four SAHF Investment Requirements and formally evaluated and approved.

While all eligible uses may be addressed at some point by the Savannah Affordable Housing Fund, it is not anticipated that all uses will be appropriate at the beginning stages of Fund development and capitalization. An annual evaluation of fund volume, staff support, market conditions and community needs should dictate what eligible uses are appropriate for fund investments on an annual basis.

### **Annual Evaluation.**

Each year the Fund Administrator, in cooperation with the City of Savannah, will conduct an Annual Evaluation to guide the Fund Investments for the subsequent year. The resulting report will be made publicly available. The annual evaluation will use the best available data to concisely assess the funding environment, to include the following:

1. The outcomes generated from the previous year's investments.
2. The current and anticipated fund volume available for re-investment.
3. Market conditions in rental and home sales markets in Savannah at price points relevant to lower income and moderate income families.
4. Community needs as evidenced by socioeconomic data, public reports, and/or social service agency reporting.

### **Fund Administration and Oversight.**

Fund administration and oversight are subject to the most change from the current period of this document to a subsequent period where a separate organizational structure, funding volume, and legislative context are anticipated. However, there are parameters from within which both functions must operate.

A SAHF Fund Administrator will:

- A. Be a public or non-profit entity with a formally expressed mission which includes the creation, rehabilitation or retention of affordable housing.
- B. Be subject to an annual financial audit to include all SAHF funds received and administered, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States
- C. Comply with all legal, insurance, financial management, and regulatory requirements appropriate for the funding sources and investment activities of the SAHF
- D. Have demonstrated staff capacity with sufficient related experience to effectively administer the fund

SAHF Oversight will:

- A. Be composed of a group of no less than 5 individuals; the group must include at least 1 City staff member
- B. Determine annual investment allocations for development types based upon an Annual Evaluation and staff recommendations
- C. Determine approval for high volume SAHF investments, based upon SAHF outcome goals, an Annual Evaluation, and staff recommendations
- D. Evaluate the results of SAHF outcomes achieved by the Fund Administrator
- E. Evaluate the financial condition of SAHF, based upon financial reports, audits, and related information



# Appendix A

## Policy Guidelines for Identified Eligible Uses.

SAHF funds are to be used as leveraging investments for affordable housing that may not otherwise be created or retained by the local housing market. The following eligible uses have been identified in community reports, community convenings, and through the work of the Savannah Affordable Housing Fund Advisory Committee.

While all eligible uses may be addressed at some point by the Savannah Affordable Housing Fund, it is not anticipated that all uses will be appropriate at the beginning stages of Fund development and capitalization. An annual evaluation of fund volume, staff support, market conditions and community needs should dictate what eligible uses are appropriate fund investments on an annual basis.



The following identified eligible uses are described below, eligible use criteria are provided individually on the following pages:

### Single-Family Development Financing

*Definition:* Short-term development financing for new construction or rehabilitation of affordable, single-family housing

*Types:* Scatter Site, infill development; development in Planned Unit Developments

*Need Identification:* Affordable Housing Task Force Report, SAHFAC work period, Affordable Housing Fund establishing resolution, 2007 Affordable Housing Policy Statement, Step Up Savannah Housing Action Team, 2008 City of Savannah Affordable Housing Study

### Rental Housing Development Financing

*Definition:* Short-term and permanent development financing for new construction or rehabilitation of affordable, rental housing

*Types:* Scatter Site, infill development; development in Planned Unit Developments

*Need Identification:* Affordable Housing Task Force Report, SAHFAC work period, Affordable Housing Fund establishing resolution, 2007 Affordable Housing Policy Statement, Step Up Savannah Housing Action Team, 2008 City of Savannah Affordable Housing Study

### Gap-Financing for Homeowners

*Definition:* Short-term or long-term gap-financing for home purchase or home improvement for qualified homeowners

*Need Identification:* Affordable Housing Task Force Report, SAHFAC work period, 2007 Affordable Housing Policy Statement, Step Up Savannah Housing Action Team

### Fund Administration

*Definition:* Funding to offset administrative expenses to operate the fund

*Need Identification:* Affordable Housing Task Force Report, SAHFAC work period

## Single-Family Development Financing.

### New Construction or renovation, Scatter Site Infill or Planned Unit Development

*Definition:* Short-term development financing for new construction of affordable, single-family housing

*Need Identification:* Affordable Housing Task Force Report, SAHFAC work period, Affordable Housing Fund establishing resolution, 2007 Affordable Housing Policy Statement, Step Up Savannah Housing Action Team, 2008 City of Savannah Affordable Housing Study

#### Eligible Applicants.

- A. Qualified for-profit, non-profit, and public developers.

#### Eligible Beneficiaries.

- A. Resulting housing will be priced, available, and affordable to households with incomes at or below area median income.
- B. Qualified homebuyers must have completed a qualifying homebuyer education class
- C. Qualified homebuyers must provide income and credit documentation that demonstrates the affordability of the unit and the capacity of the family to remain in the home.



#### Eligible Properties.

- A. Property must be in the City of Savannah
- B. Property must be developed for Owner Occupancy
- C. Sale price of house cannot exceed FHA sale price limits and must be preapproved
- D. Priority will be given to developments aligned with neighborhood revitalization efforts

#### Eligible Expenses.

- A. Acquisition, Qualified Pre-Development expenses, Construction

#### Terms.

- A. 12 months maximum term
- B. 0-5% Interest rate
- C. Deed to secure debt
- D. 1-3% Fund administration fee, paid from sources other than Affordable Housing Fund.

#### Leveraging.

- A. 1:4 minimum
- B. Priority will be given to projects able to demonstrate a higher leveraging ratio

#### Secured Affordability.

- A. Maximum secured affordability appropriate for financing mechanism and any overlapping programs.

#### Investment Allocation Conditions.

- A. Total annual funding, and total annual proportion of annual investment to be determined annually



## Rental Housing Development Financing.

### New Construction, or Renovation

*Definition:* Short-term or long-term development financing for new construction or rehabilitation of affordable, rental housing

*Need Identification:* Affordable Housing Task Force Report, SAHFAC work period, Affordable Housing Fund establishing resolution, 2007 Affordable Housing Policy Statement, Step Up Savannah Housing Action Team, 2008 City of Savannah Affordable Housing Study

#### Eligible Applicants.

- A. Qualified for-profit, non-profit, and public developers.

#### Eligible Beneficiaries.

- A. Resulting housing will be priced, available, and affordable to households with incomes at or below area median income.

#### Eligible Properties.

- A. Property must be in the City of Savannah
- B. Property must be developed for affordable rental
  - a. Mixed-use permitted provided that at least 50% of floor area is affordable rental
- C. Priority will be given to developments aligned with neighborhood revitalization efforts

#### Eligible Expenses.

- B. Short-term: Acquisition, Qualified Pre-Development expenses, Construction
- C. Permanent financing available as fund develops capacity and local need is identified

#### Terms.

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|---|---|
| <ul style="list-style-type: none"><li>A. Short-term:<ul style="list-style-type: none"><li>a. 24months maximum term</li><li>b. 0-5% Interest Rate</li><li>c. Deed to secure debt</li><li>d. 1-3% Fund administration fee, paid from sources other than Affordable Housing Fund</li></ul></li></ul> | <ul style="list-style-type: none"><li>B. Permanent:<ul style="list-style-type: none"><li>a. 30 years maximum</li><li>b. 0- published rate indexes</li><li>c. Deed to secure debt</li><li>d. 1-5% Fund administration fee, paid from sources other than Affordable Housing Fund.</li></ul></li></ul> |
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#### Leveraging.

- A. 1:5 minimum
- B. Priority will be given to projects able to demonstrate a higher leveraging ratio

#### Secured Affordability.

- A. Maximum secured affordability appropriate for financing mechanism and any overlapping programs.

#### Investment Allocation Conditions.

- A. Short-Term Financing: Total annual funding, and total annual proportion of annual investment to be determined annually
- B. Permanent Financing: Not available until SAHF cash and short term loan (12 months or less) total balance is \$500,000 or more.



## Gap Financing for Homeowners.

### Home Purchase

*Definition:* Short-term or long-term gap-financing for home purchase for qualified homeowners

*Need Identification:* Affordable Housing Task Force Report, SAHFAC work period, 2007 Affordable Housing Policy Statement, Step Up Savannah Housing Action Team

### Eligible Applicants.

- A. Homeowners or homebuyers sponsored by a qualified, fund leveraging program

### Eligible Beneficiaries.

- A. Qualified beneficiaries must have a household income at or below Area Median Income

### Eligible Properties.

- A. Property must be in the City of Savannah
- B. Property must meet minimum quality standards, or be able to meet minimum quality standards in combination with leveraged funding
- C. Priority will be given to developments aligned with neighborhood revitalization efforts
- D. Qualified homebuyers must have completed a qualifying homebuyer education class
- E. Qualified homeowners and homebuyers must provide income and credit documentation that demonstrates the affordability of the unit and the capacity of the family to remain in the home after investment is made.

### Terms.

- A. 30 year Maximum Term
- B. 0%- published rate indexes
- C. Deed to secure debt
- D. 1-5% Fund administration fee, paid from sources other than Affordable Housing Fund.

### Leveraging.

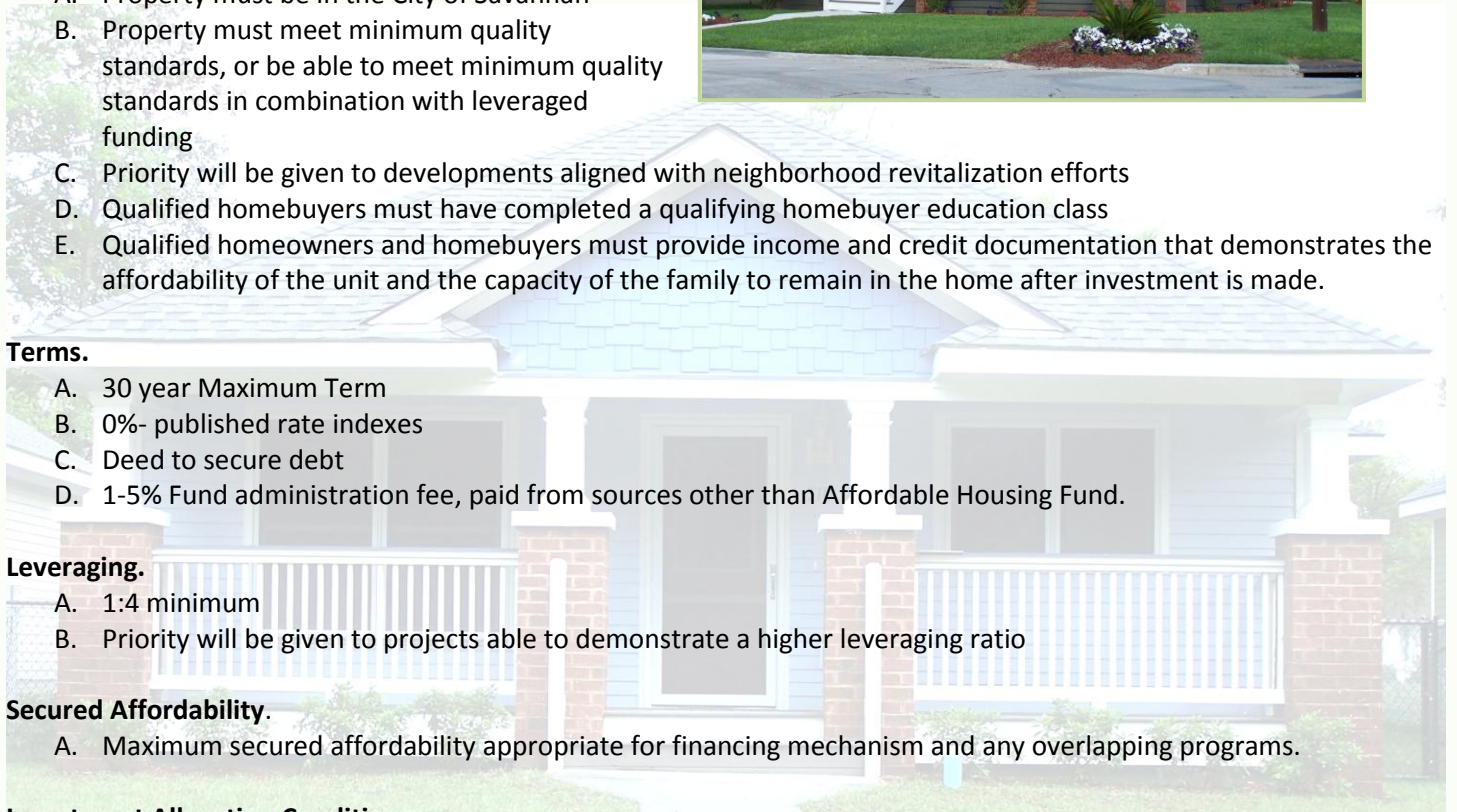
- A. 1:4 minimum
- B. Priority will be given to projects able to demonstrate a higher leveraging ratio

### Secured Affordability.

- A. Maximum secured affordability appropriate for financing mechanism and any overlapping programs.

### Investment Allocation Conditions.

- A. Not available until SAHF cash and short term loan (12 months or less) total balance is \$500,000 or more.





## Single-Family Owner Financing.

### Home Improvement

*Definition:* Short to Long-term financing for home improvement of affordable single-family housing for retention

*Need Identification:* Affordable Housing Task Force Report, SAHFAC work period, Affordable Housing Fund establishing resolution, 2007 Affordable Housing Policy Statement, Step Up Savannah Housing Action Team



### Eligible Applicants.

- A. Homeowners sponsored by a qualified, fund leveraging program

### Eligible Beneficiaries.

- A. Qualified beneficiaries must have a household income at or below Area Median Income
- B. Qualified homeowners must provide income and credit documentation that demonstrates the affordability of the unit and the capacity of the family to remain in the home after investment is made.

### Eligible Properties.

- A. Property must be in the City of Savannah
- B. Property must meet minimum quality standards at project completion, or be able to meet minimum quality standards in combination with leveraged funding
- C. Priority will be given to developments aligned with neighborhood revitalization efforts

### Terms.

- A. 20 year maximum term
- B. 0-5% Interest rate
- C. Deed to secure debt
- D. 0-3% Fund administration fee.

### Leveraging.

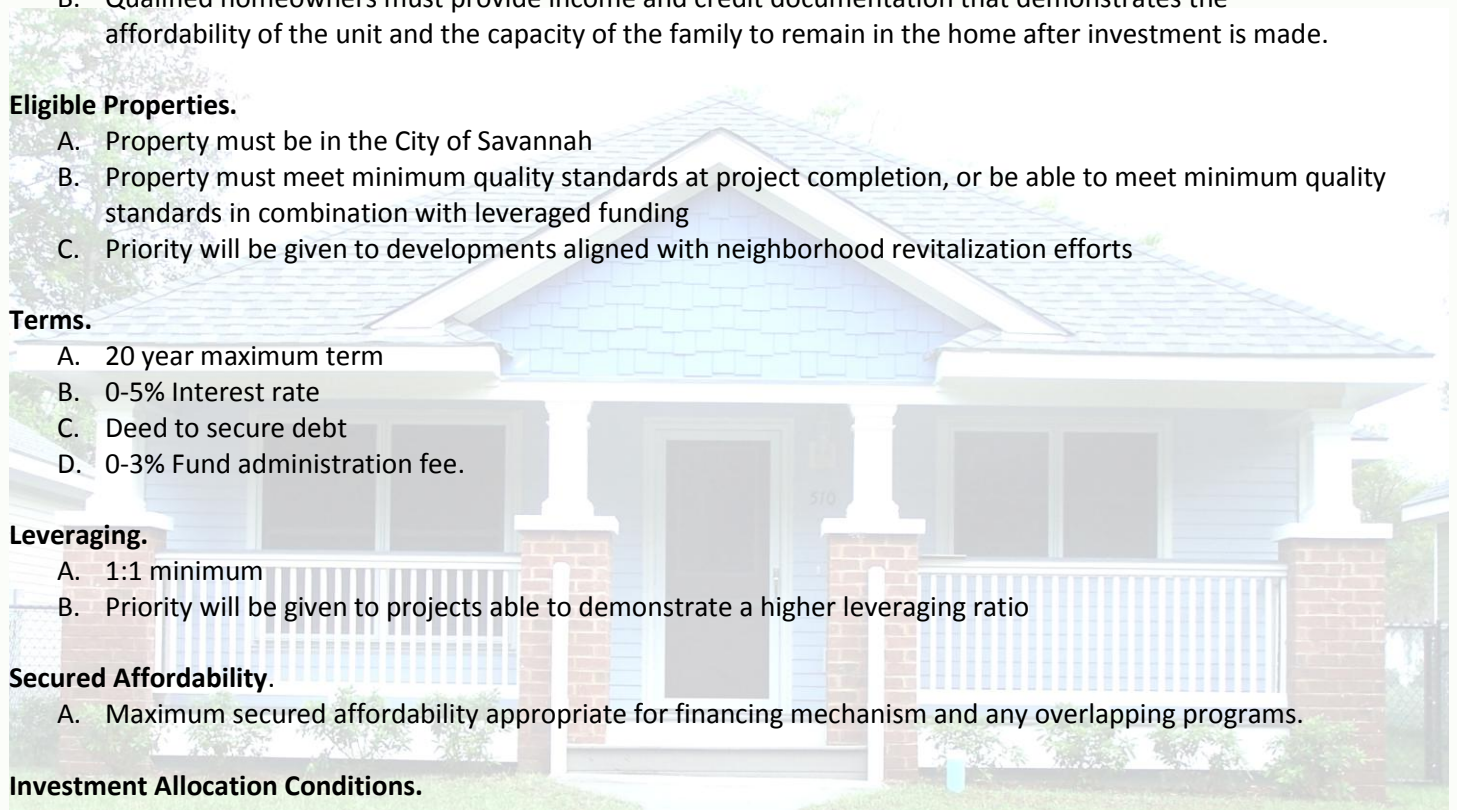
- A. 1:1 minimum
- B. Priority will be given to projects able to demonstrate a higher leveraging ratio

### Secured Affordability.

- A. Maximum secured affordability appropriate for financing mechanism and any overlapping programs.

### Investment Allocation Conditions.

- A. Short-term financing based upon total annual funding, and total annual proportion of annual investment to be determined annually
- B. Long-term financing for retention not available until SAHF cash and short term loan (12 months or less) total balance is \$500,000 or more.



## **Fund Administration.**

*Definition:* Funding to offset administrative expenses to operate the fund

*Need Identification:* Affordable Housing Task Force Report, SAHFAC work period

A sustainable local Affordable Housing Fund will be able to generate enough annual revenue or build appropriate partnerships to facilitate fund investments. While the proposed structuring of fund administration in the immediate term of this document's issuance will not require an annual allocation, future years may bring other organizational structures, financial conditions, and servicing issues. As a result, it is necessary to provide for a mechanism to support the facilitation of fund administration absent the current period's investment delivery structure.

### **Eligible Expenses.**

- A. Personnel costs
- B. Operational expenses incurred in the course of Fund Administration
- C. Contract costs associated with Fund Administration

### **Investment Allocation Conditions.**

- A. Not available until SAHF cash and short term loan (12 months or less) total balance is \$500,000 or more.
- B. Funds from the initial \$450,000 allocation are not to be used for Fund Administration

